

How To Plan Your Market Rate Survey

Introduction

Shamika is a new Child Care and Development Fund State Administrator who has the responsibility to oversee the state's market rate survey.

Thankfully Roberto the retiring administrator has offered to help Shamika navigate the requirements and preliminary steps and decisions involved in planning a market rate survey, also known as a market price study.

Come join Shamika as she [reviews a proposed timeline for her state's study](#), [hears from experts](#), and [works through a series of decisions](#).

Overview of Requirements

From the CCDF Final Rule, Shamika knows that a market rate survey is needed at least every three years and within two years of submitting her next CCDF plan. But she doesn't know the process for conducting one or how long it will take to complete.

Roberto described his experience in conducting a market rate survey. To complete a market rate survey, he needs to ensure that all data has been collected and analyzed. He knows a detailed report of the survey results must be prepared, appropriately posted in the state and used for evaluating and setting payment rates.

In the past, the state has used its own staff to conduct a survey and to analyze the data gathered. The complete process has taken about eight months. Roberto is aware that other states use existing price data they have collected, which cuts down on the survey time. However, the existing data that was gathered is not considered valid and reliable because it was gathered over a long period of time, and by untrained staff. Further, the state no longer employs a skilled analyst who previously led and compiled data for previous surveys.

Roberto thinks it will be necessary to hire a consultant to assist with the survey, adding several months to the process.

He shows a timeline to Shamika and describes the key steps in the process.

Timeline

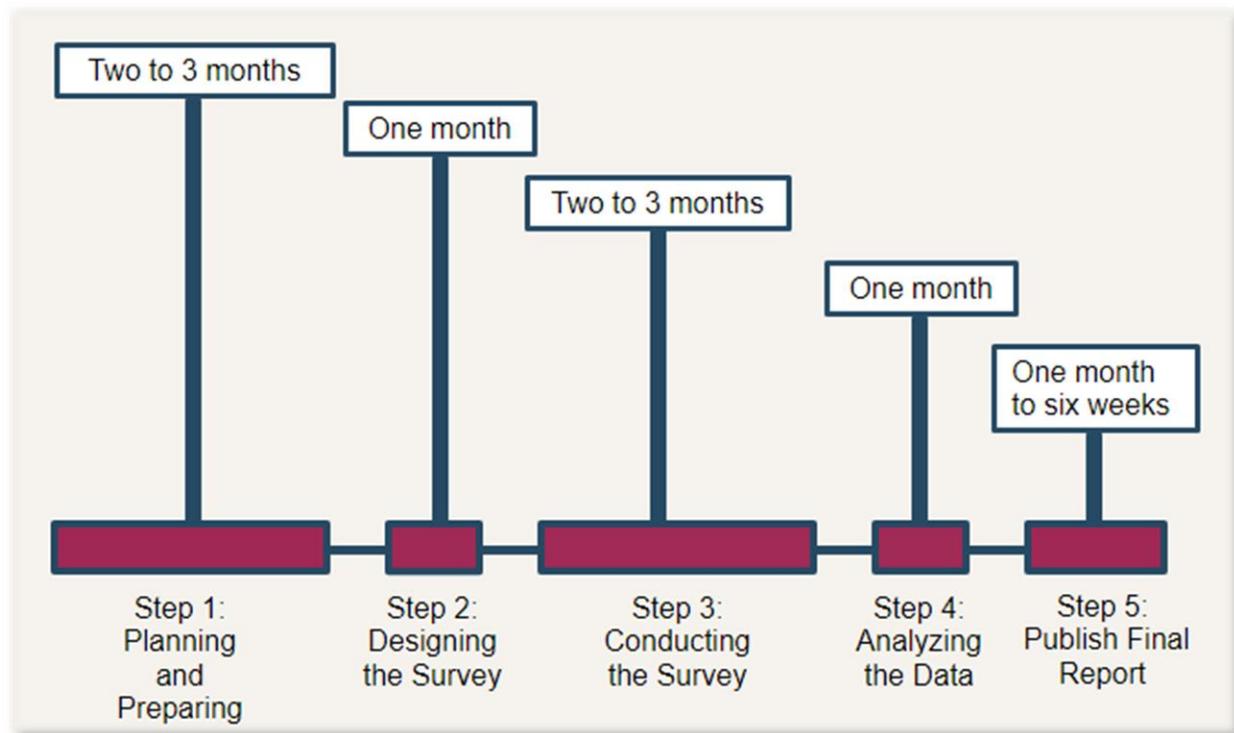


Figure 1: Timeline for Market Rate Survey

Step 1: Planning and Preparing

Survey planning and preparation should take at least two months. Lead Agencies need to develop their own objectives, consult with the state advisory council on early childhood education and care or similar organization. They must also engage other stakeholders, including local program administrators, child care resource and referral agencies, organizations representing care-givers, teachers, and directors.

If a state can use existing administrative data, such as that collected by its child care resource and referral agency, it cuts down on the time it takes for the market price study, but also may save money by not surveying providers again. However, the existing data needs to be valid and reliable.

If this is the first time hiring a consultant, plan on increasing your time by at least a month to recruit potential consultants, seek their proposals and negotiate a contract.

Considerations: Be prepared that mail surveys affect mailroom staff and the ability to complete mass mailings. Web surveys require the involvement of IT (information technology) staff. Phone surveys generally require a call center. All of this takes time and planning.

Step 2: Designing the Survey

One month is estimated for developing the survey instrument, selecting the sample, notifying providers and initiating the survey.

Step 3: Conducting the Survey

Two to three months is necessary for providers to complete the survey. A month after the survey is sent, return rates are examined. If return rates are not 65 percent or greater, another round of surveys should be sent. It is recommended that surveys should be completed within a 3-month time frame; therefore, you don't have much time to assess return rates and adopt a different method of gathering survey information, such as by telephone.

If using existing provider price data, make sure it meets the benchmark for being valid and reliable, including that it was gathered within a three-month window.

Step 4: Analyzing the Data

One month is needed for analyzing the data, setting rates and evaluating costs. Other activities include estimating the financial impact of increasing rates and obtaining approval for allocating additional funds to support rate changes.

Step 5: Publish Final Report

One month to six weeks should be allocated for developing and publishing the final market rate survey report. The report must be published and made widely available not later than 30 days after it has been prepared.

Expert Advice: Consultant vs. In-house

Roberto shared with Shamika some possible objectives for the state's upcoming market rate survey. He is concerned that subsidy payment rates are too low to ensure equal access and believes a critical objective is to raise payment rates. It has been nearly 10 years since base rates have increased. He also knows that the state should be paying providers based on part or full-time care, but he doesn't know how providers define part or full-time care. The state has been predominately paying providers based on hourly rates.

Roberto recently reviewed the state's previous market rate survey and found that provider response rates were low (at about 45 percent) and that data from 20 percent of respondents couldn't be used as it was not quantifiable.

Based on this information and Roberto's recommendation, Shamika thinks it's a good idea to hire a consultant to conduct the state market rate survey. But before making a final decision, she wants to explore advantages and disadvantages of conducting the survey using state staff versus hiring a consultant.

Roberto said there are several areas to consider when deciding who will conduct the market rate survey: scope of the survey; data that may already be available to use, such as child care

resource and referral (CCR&R) data; staff capabilities and capacities; and, availability and cost of the consultant.

Retiring CCDF State Administrator

Roberto shared that the state has been paying at the 40th percentile of the market rate and the federal benchmark is at the 75th percentile. Therefore, he recommends that the state should increase payment rates. Given this and other adjustments that will need to be made to the survey, he believes that the scope of the survey will be larger than in the past.

He also told Shamika that there is not the staff expertise to design questions that will elicit responses they need for setting rates based on full and part-time care.

He said that a better communication plan will be needed to prepare providers for responding to the survey, ensuring them that data the state receives will be used to increase payment rates.

Budget Analyst

Sharon, the budget analyst, gave Shamika the good news that anticipating an increase in CCDF Discretionary Funds, Roberto submitted a budget request for the upcoming legislative session to increase payment rates.

She also indicated that money was budgeted to hire a consultant, but she is not sure if it will cover total costs, given the larger scope of the survey.

Although there were costs associated with conducting past surveys, the true costs were never calculated because they were using in-house staff; therefore, they don't have a means to compare costs for in-house versus consultant costs for conducting the survey.

Sharon reminded Shamika that securing a contractor will take time so it will be important to begin a search soon to seek a comparative range of possible consultants. She also thinks it is important to be clear that funds will only be paid to the consultant as agreed upon deliverables are met. She will support Shamika in developing a contract for the consultant.

Data Analyst

Carlos is a data analyst who works across several programs within the state's department of human services. He was involved in the previous market rate survey so understands the local markets. He can set up sampling and prepare the data for analysis but hasn't actually analyzed the data in the past. However, he admitted that he has not designed a survey and acknowledged that none of his colleagues has experience in survey design.

In the past, he was able to use CCR&R data and therefore focused on analyzing the existing data; however, there is a concern that the CCR&R data is not considered valid and reliable as it was collected over a long period of time by untrained staff.

Taking Action

In the following scenarios, help Shamika work through a series of decisions as she moves forward in planning her market rate survey.

Scenario 1 of 5

Shamika knows it is important to involve the state advisory council when conducting the market rate survey and is curious to know at what point she should engage them.

When do you think she should involve the state advisory council?

- a) She should convene members of the state advisory council when they mail the survey, so they can promote it with stakeholders and encourage responses.
- b) She should engage the state advisory council and other stakeholders prior to conducting its survey.
- c) She should engage the state advisory council and other stakeholders when the detailed report of the survey findings is published for public comment.

Answer

The correct answer is b, the Lead Agency should engage the state advisory council and other stakeholders prior to conducting its survey.

According to the Final Rule, prior to conducting a market rate survey or alternative methodology, a Lead Agency must consult with the state advisory council on early childhood education and care, along with local child care administrators, child care resource and referral agencies, and those entities that represent caregivers, teachers and directors. By engaging an advisory council and other stakeholders early and throughout the process, you may receive valuable information about objectives you should set for your survey, methods of conducting your survey, opportunities for collaboration, and better understanding of broad issues facing low-income parents seeking high quality child care, along with the providers who offer it.

The other answers engage the state advisory council too late in the process. While you will want to share the final report with the state advisory council for its input, the council should have been involved prior to conducting the market rate survey.

Scenario 2 of 5

Shamika wonders if the following questions would be appropriate to include in her survey.

Indicate all the questions that you think would be appropriate to include.

- What is the typical salary you pay to experienced staff members?
- What is your full-time rate for a preschool child that receives a state child care subsidy?

- Are parents required to pay annual enrollment or other fees, in addition to the amount you charge for tuition?
- Do you participate in the state's child care subsidy program? Are there any barriers to your participation and if so, what are they?

Answer

- What is the typical salary you pay to experienced staff members?

Be cautious about this question. Market rate surveys should focus on the amount providers charge parents for child care services. Long surveys that address detailed work-force and other questions divert respondent's focus from recording market price information and can significantly lower the survey response rate. If you do decide to add questions about salaries, consider adding an addendum, or gather this data through other means.

- What is your full-time rate for a preschool child that receives a state child care subsidy?

This is an inappropriate question. Market rate surveys should request information on prices charged for private-pay families whose children do not receive Federal or State government subsidies.

- Are parents required to pay annual enrollment or other fees, in addition to the amount you charge for tuition?

This is a good question. This is an appropriate question for a market rate survey. It is appropriate to solicit information through the market rate survey about additional fees providers charge parents, including registration fees. CCDF regulations require Lead Agencies to describe in the plan, their analysis of the interaction between the additional amounts charged to families with the required family co-payment and the ability of current subsidy payment rates to provide access to care without additional fees.

- Do you participate in the state's child care subsidy program? Are there any barriers to your participation and if so, what are they?

This is a good question. Either through your market rate survey or other means, Lead Agencies are required to track the extent to which providers are participating in the subsidy program and any barriers to participation, including barriers due to current payment rates or practices. They must also track if providers charge families more than the required family co-payment, in cases where the provider's price exceeds the subsidy payment.

Scenario 3 of 5

Shamika is interested in seeing some examples of objectives that other states may have adopted as part of their survey. Which examples seem realistic?

Check all that apply.

- Determine how providers define part-time and full-time time weekly care.
- Determine if the current geographic or administrative rate regions should be re-evaluated or adjusted.
- Identify the maximum licensed capacity of each provider surveyed by age group.
- Obtain information on the amount providers charge for tuition for children who receive CCDF subsidies.
- Identify local areas within the state that have an inadequate supply of high-quality child care slots.

Answer

- Determine how providers define part-time and full-time time weekly care.

This example is realistic. This information helps you learn how child care providers define part-time and full-time care and provides a basis for converting hourly or daily tuition charges to weekly rates.

- Determine if the current geographic or administrative rate regions should be re-evaluated or adjusted.

This example is realistic. Local market economies change over time. Information obtained from the market rate survey can be used to evaluate the current regional rate structure and determine if it should be realigned.

- Identify the maximum licensed capacity of each provider surveyed by age group.

This example is not realistic. Lead Agencies can obtain this information from the state licensing database. Differences in the size of facilities should be considered when estimating market prices; however, child care providers generally do not operate at full capacity. A better question is to ask providers for their desired or typical enrollment levels.

- Obtain information on the amount providers charge for tuition for children who receive CCDF subsidies.

This example is not realistic. A primary objective of the survey is to determine how much providers charge parents that do not receive federal or state child care subsidies.

- Identify local areas within the state that have an inadequate supply of high-quality child care slots.

This example is realistic. While you might be able to use the licensing database to identify licensed capacity in any facility, your market rate survey could ask about a provider's desired capacity. This might allow you to identify a shortage in the supply of care, if the provider does not serve the maximum capacity allowed for an age group.

Scenario 4 of 5

Shamika wonders if she should send surveys to all providers or just a sample. Under what circumstances would she sample, vs. conduct a study of all providers? Indicate whether a sample would be warranted or not.

- Use a random sample in areas that have a small number of licensed child care centers or family home providers.
- Use a random sample if on a statewide basis, there are many licensed programs that serve children of all age groups.
- Select a random sample for each geographic region of the state that has many providers for each type of setting and age group.

Answer

- Use a random sample in areas that have only a few licensed child care centers or family home providers.

This sample is unwarranted. The goal is to obtain information from as many providers as possible. Sampling in areas that have a low number of licensed providers does not ensure the validity of the survey.

- Use a random sample if on a statewide basis, there are many licensed programs that serve children of all age groups.

This sample is unwarranted. Sampling based on the number of licensed programs statewide does not ensure that all local market areas will have a representative sample across all types of settings and age groups. The validity of the survey depends on obtaining adequate data from all geographic areas of the state.

- Select a random sample for each geographic region of the state that has many providers for each type of setting and age group.

This sample is warranted. It is appropriate to select a random sample in geographic regions of the state that have enough providers to produce a statistically valid sample across all settings and age groups. The samples should be drawn separately for each geographic region to ensure each area has a statistically valid sample.

Scenario 5 of 5

Shamika wishes she could see an outline for a report. She reviews three outlines and must choose which one is the best for her report.

Outline 1

- When the survey was conducted
- How the survey was conducted
- Who conducted the survey

- The number of providers surveyed
- The number of slots represented by respondents statewide and geographic area, by the type of setting and age group
- The estimated price of care by geographic location, provider type and child age group that supports implementation of the CCDF health, safety, quality and staffing requirements
- The cost of higher quality care based on a narrow cost analysis

Outline 2

- When the survey was conducted
- How the survey was conducted
- Who conducted the survey
- The number and types of providers surveyed statewide and by geographic area
- The response rate statewide and geographic location, by the type of setting
- The number of slots represented by respondents statewide and geographic area, by the type of setting and age group
- The estimated cost of care by geographic location, provider type and child age group that supports implementation of the CCDF health, safety, quality and staffing requirements
- The cost of higher quality care
- The Lead Agency's response to stakeholder views and comments

Outline 3

- When the survey was conducted
- How the survey was conducted
- The number and types of providers surveyed statewide and by geographic area
- The response rate statewide and geographic location, by the type of setting
- The number of slots represented by respondents statewide and geographic area, by the type of setting and age group
- The estimated cost of care by geographic area, provider type and child age group that supports implementation of the CCDF health, safety, quality and staffing requirements.
- The Lead Agency's response to stakeholder views and comments

Answer

Outline 2 is the best one to use. This is the suggested minimum amount of information that should be included in the report. Lead Agencies may consider additional information, such as data on mandatory fees and the margin of error (e.g. +/-5%) at the 95% confidence level.

Outline 1 is incomplete. At a minimum, the report should include: 1) the number and types of providers surveyed statewide and by geographic region; 2) the response rate statewide and geographic area; 3) the Lead Agency's response to stakeholder views and comments.

Outline 3 is incomplete. At a minimum, the report should include: 1) who conducted the survey; and 2) The cost of higher quality care based on the Lead Agency's quality rating system.

Summary

Shamika says:

- Now I know how much time I need to allocate for the survey.
- I'm delighted to have experts that will provide me with advice as I lead this process. I agree with Roberto's assessment that we should hire a consultant to assist us with our survey.
- I understand that even if we hire a consultant, I'm going to need to assist in making critical decisions about this study along the way.